

HOUSE BILL No. 1852

DIGEST OF INTRODUCED BILL

Citations Affected: IC 2-3.5-5-3; IC 5-10.2-2-3.

Synopsis: Fund member investment selection. Permits members of the legislators' defined contribution fund, teachers' retirement fund (TRF), and public employees' retirement fund (PERF) to change investment selections once every 30 days, with the change being effective on the first day of the next month that begins at least 30 days after the member's retirement fund receives the change notice. Requires the PERF or TRF board to accept the notice electronically, by fax, or by United States mail.

Effective: July 1, 2003.

Hinkle, Frenz

January 23, 2003, read first time and referred to Committee on Labor and Employment.

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First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

HOUSE BILL No. 1852

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 2-3.5-5-3, AS AMENDED BY P.L.13-2001,
2 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2003]: Sec. 3. (a) The PERF board shall establish alternative
4 investment programs within the fund, based on the following
5 requirements:

6 (1) The PERF board shall maintain at least one (1) alternative
7 investment program that is an indexed stock fund and one (1)
8 alternative investment program that is a bond fund.

9 (2) The programs should represent a variety of investment
10 objectives.

11 (3) The programs may not permit a member to withdraw money
12 from the member's account, except as provided in section 6 of this
13 chapter.

14 (4) All administrative costs of each alternative program shall be
15 paid from the earnings on that program.

16 (5) A valuation of each member's account must be completed as
17 of the last day of each quarter, **and if the member makes a new**



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investment selection during a quarter, the day before the effective date of the member's selection.

(b) A member shall direct the allocation of the amount credited to the member among the available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by the PERF board. The PERF board shall allow a member to make a selection or change any existing selection ~~at least once each quarter.~~ **not more than once every thirty (30) days by providing written notice to the PERF board of the new selection. The PERF board shall provide the member with the option to send the notice to the PERF board electronically, by fax, or by United States mail.**

(2) The PERF board shall implement the member's selection beginning the first day of the next ~~calendar quarter~~ **month** that begins at least thirty (30) days after the selection is received by the PERF board. This date is the effective date of the member's selection.

(3) A member may select any combination of the available investment funds, in ten percent (10%) increments.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on the market value on the effective date.

(6) If a member does not make an investment selection of the alternative investment programs, the member's account shall be invested in the PERF board's general investment fund.

(7) All contributions to the member's account shall be allocated as of the last day of the quarter in which the contributions are received in accordance with the member's most recent effective direction. ~~The PERF board shall not reallocate the member's account at any other time.~~

(c) When a member transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection. When a member retires, becomes disabled, dies, or withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's

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1 distribution or annuitization at retirement, disability, death, or
2 withdrawal, plus contributions received after that date.

3 (d) The PERF board shall determine the value of each alternative
4 program in the defined contribution fund, as of the last day of each
5 calendar quarter, as follows:

6 (1) The market value shall exclude the employer contributions
7 and employee contributions received during the quarter ending on
8 the current allocation date.

9 (2) The market value as of the immediately preceding quarter end
10 date shall include the employer contributions and employee
11 contributions received during that preceding quarter.

12 (3) The market value as of the immediately preceding quarter end
13 date shall exclude benefits paid from the fund during the quarter
14 ending on the current quarter end date.

15 SECTION 2. IC 5-10.2-2-3, AS AMENDED BY P.L.285-2001,
16 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
17 JULY 1, 2003]: Sec. 3. (a) The annuity savings account consists of:

18 (1) the members' contributions; and

19 (2) the interest credits on these contributions in the guaranteed
20 fund or the gain or loss in market value on these contributions in
21 the alternative investment program, as specified in section 4 of
22 this chapter.

23 Each member shall be credited individually with the amount of the
24 member's contributions and interest credits.

25 (b) Each board shall maintain the annuity savings account program
26 in effect on December 31, 1995 (referred to in this chapter as the
27 guaranteed program). In addition, the board of the Indiana state
28 teachers' retirement fund shall establish and maintain a guaranteed
29 program within the 1996 account. Each board may establish investment
30 guidelines and limits on all types of investments (including, but not
31 limited to, stocks and bonds) and take other actions necessary to fulfill
32 its duty as a fiduciary of the annuity savings account, subject to the
33 limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

34 (c) Each board shall establish alternative investment programs
35 within the annuity savings account of the public employees' retirement
36 fund, the pre-1996 account, and the 1996 account, based on the
37 following requirements:

38 (1) Each board shall maintain at least one (1) alternative
39 investment program that is an indexed stock fund and one (1)
40 alternative investment program that is a bond fund.

41 (2) The programs should represent a variety of investment
42 objectives under IC 5-10.3-5-3.

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(3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program.

(5) A valuation of each member's account must be completed as of the last day of each quarter **and, if the member makes a new investment selection during a quarter, the day before the effective date of the member's selection.**

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

(1) include a description of the procedure for selecting an alternative investment program;

(2) be understandable by the majority of members; and

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by each board. A board shall allow a member to make a selection or change any existing selection ~~at least once each quarter.~~ **not more than once every thirty (30) days by providing written notice to the board of the new selection. The board shall provide the member with the option to send the notice to the board electronically, by fax, or by United States mail.**

(2) The board shall implement the member's selection beginning the first day of the next ~~calendar quarter~~ **month** that begins at least thirty (30) days after the selection is received by the board. This date is the effective date of the member's selection.

(3) A member may select any combination of the guaranteed fund or any available alternative investment funds, in ten percent (10%) increments.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on:

(A) for an alternative investment program balance, the market value on the effective date; and

(B) for any guaranteed program balance, the account balance

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on the effective date.

All contributions to the member's account shall be allocated as of the last day of that quarter in accordance with the member's most recent effective direction. ~~The board shall not reallocate the member's account at any other time.~~

(f) When a member who participates in an alternative investment program transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program or to the guaranteed program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection. When a member who participates in an alternative investment program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus contributions received after that date.

(g) When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the effective date of the transfer. When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date.

SECTION 3. [EFFECTIVE JULY 1, 2003] (a) The board of trustees of the teachers' retirement fund and the board of trustees of the public employees' retirement fund shall implement IC 2-3.5-5-3 and IC 5-10.2-2-3, both as amended by this act, not later than June 30, 2004.

(b) This SECTION expires July 1, 2004.

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